



U.S. Department
of Transportation
Federal Aviation
Administration

Advisory Circular

FAA Advisory Circular 187-2

**Subject: AIRCRAFT CERTIFICATION
SERVICE FEES FOR PROVIDING
PRODUCTION CERTIFICATION-
RELATED SERVICES OUTSIDE THE
UNITED STATES**

Date: 3/11/98

Initiated by: AIR-200

AC No: 187-2
change:

1. PURPOSE. This advisory circular (AC) provides information concerning applications and fees for production certification-related services provided outside the United States by Federal Aviation Administration (FAA) Aircraft Certification Service personnel. This AC provides a means of compliance with Title 14 Code of Federal Regulations (CFR) part 187, Fees (part **187**), Appendix C, Fees for Providing Production Certification-Related Services Outside the United States.

2. RELATED DOCUMENTS.

- a. Title 14 CFR part 21, Certification Procedures for Products and Parts (part 21).
- b. Title 14 CFR part 187, Fees (part 187).
- c. Advisory Circular 2 1- 18, Bilateral Airworthiness Agreements.
- d. Advisory Circular 2 1-20, Supplier Surveillance Procedures.
- e. Advisory Circular 2 1-23, Airworthiness Certification of Civil **Aircraft**, Engines, Propellers, and Related Products Imported to the **United States**.
- f. Order 8 130.28, Airworthiness Designee Management Program.

3. BACKGROUND.

a. The method for determining fees was established by rulemaking to amend 14 CFR part 187, effective October 22, 1997, under Docket No. 28967; Amendment No. **187- 10**, October 27, 1997, Fees for Providing Production Certification-Related Services Outside the United States. This regulation is not mandatory. Its intent is to encourage voluntary agreement, between the FAA and the production approval holder (PAH), for production certification-related services pertaining to products and parts manufactured or assembled outside the United States. Prior to this rulemaking, the FAA's limited resources made it difficult or impossible to oversee diverse and complex international ventures by a **PAH** when and where the services were needed. This regulation was established as a means for the FAA to obtain the resources required to support a PAH when it elects to use a manufacturing or supplier facility in a jurisdiction that would otherwise inhibit the FAA from performing

its governmental regulatory oversight functions. The primary benefit of this regulation will allow the FAA to perform its safety functions in a more efficient and cost-effective manner when and where a PAH needs those services.,

NOTE: As defined in part 187, Appendix C, a PAH means a person who holds: an approval to produce under an approved production-inspection system (APIS), a Production Certificate (PC) (to include PC extensions), a Technical Standard Order (TSO) authorization, a Parts Manufacturer Approval (PMA), or a holder of a Type Certificate (TC) and produces under that TC. All PAH's are subject to inspections by the FAA as required by 49 United States Code 44713.

b. The global manufacture of aircraft, aircraft engines, propellers, appliances, and parts thereof has presented the FAA with challenges to ensure that safety and airworthiness standards for U.S. products are met worldwide. Historically, the FAA has allowed U.S. PAH's to use manufacturing facilities outside the United States under certain conditions. Currently, these approvals are limited to certain parts/subassemblies that are inspected when received in the United States by the PAH or when the PAH has established and implemented a supplier control system meeting the intent of part 21 and AC 21-20. In addition, more complex production work outside the United States has been allowed on a case-by-case basis.

c. To be more competitive, U.S. PAH's are requesting approval from the FAA to expand their manufacturing capabilities by using international suppliers who manufacture more complex part and sub-assemblies outside the United States. As non-U.S. aeronautical product customers continue to demand a share of the production in their countries as part of the purchase agreement of U.S. products, the FAA must perform its production certification-related safety functions outside the United States. This increased responsiveness will enhance the integration of new and innovative technology developed outside the United States into aircraft and enhance the safety of the aircraft fleet.

4. DISCUSSION.

a. This rulemaking does not circumvent nor is it in conflict with the existing process for obtaining a bilateral airworthiness agreement (BAA) or bilateral aviation safety agreement (BASA), with implementation procedures for airworthiness. The PAH may request the FAA to consider using a Foreign Civil Aviation Authority (FCAA) to perform regulatory oversight functions. However, the FAA must determine that the current BAA or BASA contains provisions for reciprocal acceptance of production oversight activities, and that the FCAA is willing and has the capability of performing the services on FAA's behalf

(1) It must not be assumed that the FAA will in each case request assistance from an **FCAA** in performing production certification-related services, or that an **FCAA** will consider providing any requested services. While a BAA or BASA recognizes that an FCAA has been judged to have certain capabilities and authority, an FCAA may not have the **sufficient** staff and resources to support specific FAA needs.

(2) Since the FCAA normally charges fees for their services, these costs will be the responsibility of the PAH.

b. Designees cannot perform government regulatory oversight functions (surveillance); however, they can be used to perform certain authorized functions, such as conformity inspections and issuing airworthiness approvals.

c. If the **PAH requests** the use of either an **FCAA** or designees to perform oversight and airworthiness services, the request will be considered during the development of an undue burden decision paper, developed and coordinated in accordance with current FAA Aircraft Certification Service procedures.

NOTE: The services provided by the FAA outside the United States do not relieve the PAH's from their responsibility to perform surveillance of their suppliers.

5. APPLICABLE REGULATORY SERVICES. As defined in part 187, Appendix C, production certification-related services outside the United States means a service associated with:

a. Certificate management:

- (1) Initial supplier review after PAH qualification and PC extension activities.
- (2) Ongoing PAH and supplier surveillance.
- (3) Aircraft Certification Systems Evaluation Program evaluations.
- (4) Conformity inspection of parts, products, processes, or articles.
- (5) Witnessing tests.

b. Designee management in accordance with Order 8130.28, to include, but not limited to:

(1) Direct supervision of designees to ensure they are performing assigned authorized functions in accordance with the appropriate regulations, policies, and procedures.

(2) Review the designees' inspections of completed products, parts, or articles to ensure satisfactory inspection techniques are used.

(3) Monitoring the designees' performance on an on-going basis and ensure applicable training is provided throughout the designees' duration of appointment.

6. APPLICATION REQUIREMENTS.

a. PAH's who elect to use manufacturing or supplier facilities outside the United States and cannot obtain services from the FAA when needed, should submit a letter of application, addressed to the Manufacturing Inspection District Office (**MIDO**) manager located in the geographical area in which the PAH's have their primary place of business. PAH's should contact the **MIDO** to obtain a list of the minimum information that should be included in the letter of application. PAH's that do not know which **MIDO** to contact or submit their applications to, should contact the closest Manufacturing Inspection Office (MIO) listed in Appendix 1.

b. The letter of application should be submitted:

(1) After July 1, 1998, by all PAH's currently holding approval to operate manufacturing facilities, or use suppliers outside the United States who elect to enter into an agreement; or

(2) Concurrently with the application to approve new manufacturing facilities, or to use new **suppliers outside** the United States for those PAH's who elect to enter into an agreement, and

(3) Annually, for continuing **FAA** production certification-related services outside the United States for those PAH's who elect to enter into an agreement.

c. No fees will be assessed for existing production certification-related services outside the United States during the 1998 fiscal year; however, fees may apply to applications beginning October 1, 1998, if the PAH and **FAA** agree upon the requested services.

7. SCHEDULING OF SERVICES.

a. From the information submitted in the application, the **MIDO** will develop an annual schedule of services and related costs, and a draft written agreement.

(1) These voluntary agreements between the PAH and FAA will include a detailed schedule of services. The schedule will identify the types of specialists needed (i.e., **aviation safety** inspectors, aviation safety engineers, flight test pilots) and the number of hours projected for work on each project.

(2) Payment to the FAA by the PAH will include funding for work agreed to in the written agreement. The FAA will collect no funds for specific activities or begin to work on projects if there are no agreements.

b. The FAA has designed its procedures to accommodate **differing** fiscal years between government and industry. **PAH's** may request and arrange for production certification-related services at any time during the year.

c. Additional production certification-related services may be required as a result of noncompliance items discovered during regular surveillance or scheduled evaluations. When a PAH has implemented adequate corrective action to prevent recurrence of the noncompliance condition, certification services will resume under the normal schedule.

8. COSTS FOR PROVIDING SERVICES.

a. The FAA will recover the full cost associated with providing production certification-related services outside the U.S. that will include personnel compensation and benefits (PC&B), travel and transportation costs, and other agency costs. Once the **PAH's** letter of application is submitted to the **MIDO** manager, the costs for providing the requested services will be identified based on the following formula:

(1) $W1H1 + W2H2 \text{ etc.} + T + 0$.

(2) Where!

(a) $W1H1$ = hourly PC&B rate for **one** employee, times the estimated number of hours.

(b) $W2H2$ = hourly PC&B rate for second employee, etc., times the estimated hours.

(c) T = estimated travel and transportation expenses. (Travel and transportation costs actually incurred will be charged after the performance of the requested services.)

(d) 0 = other direct and indirect agency costs related to each activity including overhead.

NOTE: For the purposes of these calculations, the PC&B rates for the FAA aviation safety inspectors will be charged for activities they agreed to perform. These charges will reflect the actual hours spent participating in the activity as well as preparatory time, travel time, and the time spent on follow-up activities.

b. The **MIDO** will notify the PAH in writing of the estimated costs and schedule of services to be performed by the FAA. Upon receipt of the notification, the PAH should review the estimated costs and schedule of services the **FAA** will perform. If both the PAH and FAA agree with the estimated costs, and schedule of services, a written agreement will be executed between the PAH and the FAA. This agreement may be terminated at any time by either party by providing 60 days written notice to the other. Any such termination will allow the FAA up to an additional 120 days to close out its activities and return any unused funds to the PAH.

c. The Aircraft Certification Service maintains a data system to which aviation safety inspectors submit records identifying the number of work hours used to provide service to customers. Travel vouchers are submitted, maintained, and audited for each traveler. This data will be maintained for each PAH and project. The work hours are tracked monthly to determine the costs associated with providing FAA's services. This information will be used in assessing and adjusting the costs (either upward or downward) for providing services. In this manner, the FAA will be able to assure PAH's that they are paying only for expenses incurred in connection with services they requested.

d. The FAA will publish in the Federal Register, any changes to the elements of the fee formula or methodology of this rulemaking. Once published in the Federal Register, it may be downloaded from the FAA regulation section of the **FedWorld** electronic bulletin board at 703-32 1-3339 or the Federal Register's electronic bulletin board at 202-5 12-1661. Internet users may access the FAA's web page at <http://www.faa.gov> or the Federal Register's web page at http://www.access.gpo.gov/su_docs.

9. FEE COLLECTION.

a. In order for the FAA to perform the scheduled services, the PAH's estimated funding should be received in advance for each **12-month** calendar period, unless a shorter period is agreed to between the PAH and the **FAA**. The FAA is not obligated to perform the scheduled services contained in the written agreement until it receives the **full** estimated funding for each agreed upon period. The FAA is not obligated to continue performance of those services if actual costs exceed **funding** provided by the PAH for the each agreed upon period. If costs are expected to exceed the funding made by the PAH, the FAA will provide the PAH with a revised estimate. The FAA may, at its option, continue to perform services and the PAH will continue to be responsible for the costs of those services until the **FAA's** actual costs exceed the PAH's **funding** for the agreed upon period by 10 percent.

b. As services are completed, full costs of the services will be charged against the **PAH's** account. Any remaining funds will be returned to the PAH or applied to future scheduled services as requested by the PAH.

c. The PAH's funding of the scheduled services to be rendered by the FAA will be payable to the FAA in U.S. currency and drawn on a U.S. bank in the form of a check, money order, or wire transfer. Any bank processing fees charged to the United States Government will be added to the fees charged to the PAH.

d. In any case where a PAH has failed to **fund** the agreed upon estimated fee for FAA services, the FAA may suspend or deny any application for service and may suspend or revoke any production-related approval granted.



Frank P. Paskiewicz

Manager, Production and
Airworthiness Certification Division

APPENDIX 1. LIST OF AIRCRAFT CERTIFICATION SERVICE. MANUFACTURING
INSPECTION OFFICES

PAH's who elect to use manufacturing or supplier facilities outside the United States should submit a letter of application to the **MIDO** manager, located in the geographical area in which the **PAH's** reside or have their primary place of business. If an applicant does not know the address of their MIDO, please contact the closest **MIO** for that information:

1. Manufacturing Inspection Office, ACE- 180
60 1 East 12th Street
Kansas City, MO 64106
2. Manufacturing Inspection Office, ANE- 180
12 New England Executive Park
Burlington, MA 01803
3. Manufacturing Inspection Office, ANM- 108
1601 Lind Avenue, SW
Renton, WA 98055-4056
4. Manufacturing Inspection Office, ASW-180
260 1 Meacham Boulevard
Fort Worth, TX 76 137-4298

